

ORIGINAL

Jennifer Ybarra



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OPEN MEETING AGENDA ITEM

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From: Nancy LaPlaca
Sent: Wednesday, November 18, 2009 9:30 AM
To: Jennifer Ybarra
Subject: Industry: Haz Waste Reg of coal ash would cost industry \$17 billion v. \$520 million if coal ash is non-haz

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AZ CORP COMMISSION
DOCKET CONTROL

Jennifer:

Please file this in the IRP docket, and make a couple copies for our notebooks. thanks.

Arizona Corporation Commission

Nancy

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NOV 18 2009

FYI in Inside EPA this morning.

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DAILY NEWS FROM INSIDEEPA.COM - WEDNESDAY, NOVEMBER 11, 2009

Industry Warns Hazardous Waste Coal Ash Rules Will Shutter Power Plants

The electric power industry is warning EPA and the White House that **if it classifies coal ash as hazardous waste in the agency's pending first-time coal waste regulatory proposal, some power plants will be forced to shut down because they will not be able to afford the high fees associated with disposing of hazardous materials.**

A large group of power companies and a major coal ash trade association met with EPA and White House officials Oct. 28 to discuss the pending proposal on coal combustion waste, which is under review by the White House Office of Management & Budget's Office of Information & Regulatory Affairs (OIRA) and will be issued next month.

EPA is under pressure to regulate coal waste under the Resource Conservation & Recovery Act (RCRA) following the failure of a huge coal ash surface impoundment in December at a Tennessee Valley Authority (TVA) facility.

Environmentalists have long pressured EPA to regulate the waste as hazardous and to ban wet disposal of the waste in ponds, such as surface impoundments including the TVA wet disposal pond that failed. States and industry, however, are lobbying for EPA to issue a non-hazardous classification in order to preserve state enforcement authority over disposal and to protect beneficial reuse of coal ash, which can be recycled into materials such as concrete.

EPA is considering several "hybrid" approaches to the rule, including regulating the wet disposal of coal ash in waste ponds as hazardous while regulating dry disposal in landfills as non-hazardous, as well as classifying all coal waste disposal as hazardous while regulating certain beneficial uses as non-hazardous (Inside EPA, Nov. 6).

While industry has long been vocal in its opposition to hazardous classification of the waste for fear it would shut down the reuse industry -- which recycles 40 percent of coal ash annually -- this is the first formal warning that hazardous waste rules would shutter coal-fired power plants and threaten electricity reliability.

Industry's Cost Warnings

The Utility Solid Waste Activities Group (USWAG) in an Oct. 30 meeting follow-up letter to OIRA warns, "If [coal waste] were regulated as hazardous waste, the economic impact on the utility industry would be enormous, resulting in power plant closures, increased electricity rates for consumers, corresponding power reliability concerns, and virtually eliminating all [coal waste] beneficial uses."

An USWAG source explains that some plants would not be able to recover the costs of disposing of coal combustion wastes if they are classified as hazardous and that "negative value facilities are not financially viable."

USWAG notes in the letter that the **disposal costs to industry would be \$17 billion under hazardous waste rules, compared to \$520 million** if the agency finds that coal wastes are non-hazardous and classifies them under subtitle C of RCRA, rather than as hazardous under subtitle D of the waste law.

But USWAG adds that those estimates do not include all the costs of regulating coal ash, including capital costs associated with the phase out of existing surface impoundments for the waste.

"A 10-year phaseout of surface impoundments under a subtitle D program would cost \$39 billion, or \$2.5 billion per year over 20 years. It should be noted that a phaseout would be even more expensive under RCRA subtitle C, and would be most costly under a shorter phaseout period. Combining the costs of conversion and the additional cost of subtitle C management results in total annual costs of nearly \$20 billion per year. These costs represent more than 25 percent of coal generating revenues," USWAG warns in its letter.

USWAG also discusses other costs that a hazardous waste designation would create, including to state environmental agencies, which would have to regulate an additional 130 million tons of hazardous waste a year, and to the federal government, hampering progress toward President Obama's Oct. 5 executive order on Federal Leadership in Environmental, Energy & Economic Performance because federal facilities that burn coal would have to dispose of hazardous waste, while the executive order requires federal agencies to reduce their quantities of hazardous materials.

Also attending the Oct. 28 meeting were the EOP Group, American Electric Power, First Energy, Progress Energy, Public Service Enterprise Group, Southern Company and Duke

Energy.

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